(3)

No. 99-1800

Supreme Court, U.S.
FILED
JUL 03 2000
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1999

THEIS RESEARCH, INC.

Petitioner

v.

NORTHERN TELECOM INC.

Respondent

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

REPLY TO BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

Paul R. Johnson
Counsel of Record
Filice Brown Eassa & McLeod LLP
Lake Merritt Plaza
1999 Harrison Street
Eighteenth Floor
Oakland, California 94612-3541
(510) 444-3131
Counsel for Petitioner
Theis Research, Inc.

11pp

QUESTION PRESENTED

When courts adjudicate the validity of patent claims, whether and to what extent deference is to be given a prior patentability determination by the United States Patent and Trademark Office.

Instead of plenary review, petitioner requests that the Court grant, vacate, and remand for further consideration in light of the Court's decision in *Dickinson v. Zurko*, 527 U.S. 150 (1999).

Rule 29.6 Statement: There is no parent corporation or publicly held company owning 10% or more of the stock of petitioner Theis Research, Inc.

TABLE OF CONTENTS

Page

1. *Dickinson v. Zurko* Directs Deference to PTO Factual Determinations, Warranting GVR in This Case..... 1

2. The PTO's Determination Is Presented in the Record 4

3. NTI Fails to Show That Its Summary Judgment Motion Could Survive Deference to the PTO's Determination.... 4

4. Conclusion..... 7

TABLE OF AUTHORITIES

Page

Cases

Dickinson v. Zurko,
527 U.S. 150, 119 S.Ct. 1816 (1999) 1-4, 7

Electro Medical Systems, S.A. v. Cooper Life Sciences, Inc.,
34 F.3d 1048 (Fed. Cir. 1994) 5

Lear v. Adkins,
395 U.S. 653 (1969) 2

Ramsey v. United Mine Workers,
401 U.S. 302, 312 (1971) 4

In re Zurko,
142 F.3d 1447 (Fed. Cir. 1998)(en banc). 1

Statute

5 U.S.C. § 706 1-3

1. *Dickinson v. Zurko* Directs Deference to PTO Factual Determinations, Warranting GVR in This Case

Theis Research, Inc., (TRI) petitions this Court for grant, vacate, and remand (GVR). Holding certain patent claims to be invalid based on a factual determination, the Federal Circuit reached a decision inconsistent with a prior administrative determination by the United States Patent and Trademark Office (PTO). As in *Dickinson v. Zurko*, 527 U.S. 150 (1999), the PTO made a factual determination concerning the patentability of an invention in light of prior art.

The Federal Circuit and the district court never considered, let alone gave deference to, the PTO's prior administrative determination. The opposition of respondent Northern Telecom Inc. (NTI) does not dispute this. GVR is appropriate for consideration of this issue by the Federal Circuit in light of this Court's decision in *Zurko*. In *Zurko*, this Court reversed the Federal Circuit's adherence to a standard under which it reviewed according to its "own reasoning" factual determinations concerning patentability that had been made by PTO. *See In re Zurko*, 142 F.3d 1447, 1449-1450, 1458 (Fed. Cir. 1998)(en banc).

Petitioner TRI does indeed contend that the lack of deference in this case to the prior administrative determination conflicts with the Court's decision in *Zurko*. NTI argues that the holding in *Zurko* is limited to the narrow procedural context in which the case arose. TRI disagrees. In *Zurko*, 527 U.S. at 152, this Court stated:

> We must decide whether [5 U.S.C.] § 706 applies when the Federal Circuit reviews findings of fact made by the Patent and Trademark Office (PTO). We conclude that it does apply, and the Federal Circuit must use the framework set forth in that section.

Whether raised in a direct appeal from a patent prosecution or (as here) in a challenge to the validity of the patent claims, a factual determination of patentability by the PTO is still at issue. TRI respectfully submits that in either procedural context, this Court's decision in *Zurko* requires that the Federal Circuit give deference to the PTO's decision under the standard of § 706, having due regard for the PTO's agency expertise to "better deal with the technically complex subject matter" of such factual determinations. *See Zurko*, 527 U.S. at 160.[1]

At a minimum, the disparity between the Federal Circuit's treatment of the prior administrative determination in this case and the deference to PTO factfinding required by *Zurko* warrants GVR for further consideration by the Federal Circuit in light of *Zurko*.

---

[1] NTI errs in arguing that deference to the administrative determination would deprive an infringing party of the ability to assert an invalidity defense. NTI's premise was rejected by this Court in *Zurko*:

> Moreover, if the [Federal] Circuit means to suggest that a change of standard could somehow immunize the PTO's fact-related "reasoning" from review, 142 F.3d at 1449-1450, we disagree.

Zurko, 527 U.S. at 164. Application of *Zurko* does not preclude an invalidity defense; instead, it provides for determination of the patentability issues on which such a defense is based in a manner that recognizes and utilizes the scientific and technical expertise of the PTO.

NTI quotes from *Lear v. Adkins*, 395 U.S. 653, 670 (1969), in which the Court held that a patent licensee does not waive the right to a challenge the validity of a patent. Unlike the circumstance discussed in *Lear*, NTI remains free to advance legal arguments (and, in this case, factual arguments) as to why it contends the administrative determination was arbitrary, capricious, or an abuse of discretion.

NTI misapplies a distinction made in *Zurko* between PTO factfinding and district court factfinding. In *Zurko*, the highly deferential court/agency standard of § 706 required for Federal Circuit review of PTO determinations was compared with the less strict court/court (clearly erroneous) standard for reviewing factual determinations by district courts. *Zurko*, 527 U.S. at 164. NTI argues that since this case came before the Federal Circuit on appeal from a district court, the § 706 deference prescribed by *Zurko* does not apply.

NTI's argument fails to recognize that the factual determination in question was made by the PTO.[2] The court/agency standard applies to review of the PTO's factfinding, regardless of whether that review is undertaken by the Federal Circuit or a district court. In *Zurko*, this Court explained that the district courts' *lack* of technical expertise (as distinguished from the PTO's expertise) warrants closer review of factfinding by the district courts. *Zurko*, 527 U.S. at 164 ("nonexpert judicial factfinding calls for the court/court standard of review"). That is not, as NTI suggests, a rationale for disregarding the PTO's expertise when a district court makes a determination involving the same technical issue of fact.[3]

---

[2] NTI's call detail recorder was cumulative of the prior art call detail recorder that the PTO determined did not anticipate the patent claims. The PTO's administrative determination cannot be reconciled with summary judgment of anticipation based on NTI's cumulative product.

[3] Ironically, the Federal Circuit's original opinion in this case acknowledged that it applied the court/court clearly erroneous standard of review to *factfinding by the district court*—even though this case was decided on a motion for summary judgment. Petition appendix p. A-5. Only after the Federal Circuit was reminded by the rehearing petition of its *de novo* standard for reviewing the district court's grant of summary judgment, and that determination of the disputed factual issues on summary judgment

2. The PTO's Determination Is Presented in the Record

While acknowledging that the Federal Circuit did not accord consideration or deference to the PTO's prior administrative determination, NTI recognizes that petitioner TRI repeatedly asked the Federal Circuit to accord deference to the PTO's prior administrative determination. Thus, NTI's attempted reliance on *Ramsey v. United Mine Workers*, 401 U.S. 302, 312 (1971)(raising issue to Supreme Court in the first instance) is misplaced. Furthermore, GVR is sought for the Federal Circuit to consider this issue in light of the Court's *Zurko* decision in the first instance. Petitioner TRI has not requested plenary review by this Court.

NTI errs in suggesting that the PTO's finding of patentability over another call detail recorder was not presented by TRI to the district court. The district court was presented an excerpt from the patent prosecution history before the PTO where the patented claims were distinguished from the prior art "Operator Position Assistance System" (OPAS) call detail recorder. *See* district court record at pages A889-892 (also included in joint appendix on appeal).

3. NTI Fails to Show That Its Summary Judgment Motion Could Survive Deference to the PTO's Determination

The Federal Circuit affirmed summary judgment holding certain patent claims invalid on the premise that the claims were "anticipated"—i.e., set forth—in NTI's prior call detail recorder. As the Federal Circuit acknowledged, anticipation is a question of fact. Petition appendix at p. A-5. In addition to NTI's burden as the party moving for summary judgment, NTI had the burden of proving anticipation by clear and

---

was improper, did the Federal Circuit amend the language of its opinion to delete such references. *Id.* p. B-2.

convincing evidence. *Electro Medical Systems, S.A. v. Cooper Life Sciences, Inc.*, 34 F.3d 1048, 1052 (Fed. Cir. 1994).[4] By not addressing the facts in the patent prosecution history, NTI's showing was deficient at the outset.

In its opposition to GVR, NTI attempts to refute just one of the reasons why the prosecution history before the PTO conflicts with the summary judgment that NTI's product anticipated the patent claims.[5] NTI struggles unsuccessfully to draw a single distinguishing feature between its call detail recorder and the call detail recorder considered by the PTO. NTI claims that its call detail recorder, unlike the call detail recorder considered by the PTO, provided for entry of coded signals as selected by the called party.[6] At best, this disputed

---

[4] NTI relied on the non-technical declaration of one of its marketing employees and failed to establish the technical facts necessary to prove anticipation. NTI is unable to identify any so-called "hard evidence," and the factual conclusions by the district court are indeed disputed. No evidence established that NTI's call detail recorder met the requirements of the patent claims (for example, a monitor coupled to the telephone line, automatic association in the monitor of a coded signal with the call record, or a coded signal indicating the nature of the call (as opposed to a billing number)).

[5] NTI is unable to refute that the Federal Circuit and the district court interpreted the patent claims without even consulting the prosecution history—even though they lacked the requisite expertise in the technical subject matter and were unsupported by any expert in the field. As did the courts below, NTI ignores—for example—the differences between call detail recorders and line activity monitors and the meaning that "coupled to the telephone line" has to those skilled in the field.

[6] As to the NTI product, NTI relies for this proposition on the "Charge Account feature" of its call detail recorder. District court record at A482-483 (declaration of NTI's marketing employee). As with the OPAS call detail recorder considered by the PTO, this

factual assertion demonstrates the error of summary judgment in this case. Furthermore, the relevant portion of the prosecution history—contained within the district court record and submitted to the Federal Circuit—proves that NTI's assertion is erroneous: the OPAS device reviewed by the PTO functioned in the same way.[7]

---

is simply a billing function. Deference should have been given the PTO's determination that this does not anticipate the patent claims.

[7] NTI misstates that the billing codes in the OPAS system reviewed by the PTO are entered by the calling party. As stated in the OPAS reference and as discussed in the prosecution history, the information for billing is entered by the operator taking the call. District court record at A890 (excerpt from prosecution history). Moreover, as reviewed in the administrative proceeding before the PTO, billing information (whether in NTI's CDR or the OPAS system) is predetermined by the calling party. District court record at A891. Providing for the called party to classify calls, the patented telephone line activity monitor and method provide for the statistical analysis of line usage in a flexible and sophisticated manner. District court record at A892.

4. Conclusion

In this case involving the summary adjudication of a factual issue of patentability (anticipation), the PTO's previous determination of the same issue as to cumulative prior art should be considered and accorded deference by the Federal Circuit. Indeed, it was impossible for the courts below to determine whether there is a disputed issue of fact without reviewing the facts determined by the PTO.

This Court's decision in *Zurko* sets forth the standard for deference to the factual determinations of the PTO. Accordingly, TRI respectfully requests that this case be remanded to the Federal Circuit for further consideration in light of the *Zurko* decision.

Respectfully submitted,

Paul R. Johnson
Counsel of Record
Filice Brown Eassa & McLeod LLP
Lake Merritt Plaza
1999 Harrison Street
Eighteenth Floor
Oakland, California 94612-3541
(510) 444-3131
Counsel for Petitioner
Theis Research, Inc.